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\* ALSO ADMITTED IN MICH.

\*\* ALSO ADMITTED IN NY AND DC

\* NOT ADMITTED IN \$1,700;5

November 13, 2001

Carmen Suro-Bredie
Chair, Trade Policy Staff Committee
Office of the United States Trade Representative
600 17<sup>th</sup> Street, N.W.
Washington, D.C. 20508

VIA E-MAIL AND CERTIFIED MAIL

Attn: Gloria Blue, Executive Secretary

Re: Action Under §203 of the Trade Act of 1974 With Regard to Imports of Certain Steel;

Request by Aços Villares, S.A. for Exclusion of Certain Specialty Steel Products

Dear Ms. Suro-Bredie:

DANTO A. RIGGILE\*

JOHN & GALVER †

JACK D. MLAWERI †

JOHN P. CRAVES \*

OF COUNTY

DAVID J. CRAVEN\*\*

On behalf of Aços Villares, S.A. of São Paulo, Brazil and in connection with a solicitation by your office on October 25, 2001 and as contained in a notice in the *Federal Register*, 66 *Fed. Reg.* 54321, *et seq.* (October 26, 2001), we hereby request that the products listed in the attached statement be excluded from any restriction on imports that may be ordered by the President in accordance with the referenced matter. This submission is being made via e-mail as well as 20 copies by certified mail to ensure that it is properly and timely received.

Respectfully submitted,

RIGGLE AND CRAVEN 19 South LaSalle Street Suite 601 Chicago, IL 60603-1403 (312) 368-8787

By:

David A. Riggle Attorneys for Aços Villares, S.A.

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Encl.

# BEFORE THE UNITED STATES INTERNATIONAL TRADE COMMISSION WASHINGTON, D.C.

In the Matter of:

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### PUBLIC DOCUMENT

# REQUEST TO EXCLUDE CERTAIN SPECIALTY STEEL FROM IMPORT RELIEF UNDER SECTION 203 BY

AÇOS VILLARES S.A.

Riggle and Craven

19 South LaSalle Street Suite 601 Chicago, Illinois 60603-1403 Phone 312/368-8787

Counsel:

David A. Riggle David J. Craven

Date: November 13, 2001

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# Exclusion Request By Aços Villares S.A. On behalf of its subsidiary Villares Metals S.A.

#### I. INTRODUCTION AND EXECUTIVE SUMMARY

This request for exclusion of certain Specialty Steel Products from import relief under Section 203 is being submitted by Aços Villares of São Paulo, Brazil in response to the request for comments of October 25, 2001 and as published at 66 Fed. Reg. 54321, et seq. (October 26, 2001). Attached to this submission is a statement by a U.S. customer detailing its requirement for a product it cannot obtain in the U.S.

#### A. Executive Summary

It is requested that certain types of steel which are either not produced in the U.S. or are produced in insufficient quantities be excluded from any import relief pursuant to Section 203. The certain types of steel are Tool Steel, Valve Steel, Stainless Steel and High Speed Steel (HSS), as more specifically described herein.

# II. Certain Products Which Are Either Not Produced in the U.S., or Produced in Insufficient Quantities, Should Be Excluded

Aços Villares S.A., on behalf of its subsidiary Villares Metals S.A., requests that certain products which the U.S. industry simply does not produce, or cannot produce in sufficient quantity or quality to serve the United States market, be excluded from any import relief which may be ordered

under Section 203. Restrictions of the products listed below would not help the U.S. industry, would impose additional costs and other disruptions on U.S. end users of these products and otherwise disrupt the economy. These products are as follows.

#### III. Products

A. Tool Steel Classified Under HTSUS items 7228.30.20, 7228.30.40, 7228.30.60,7228.30.80, 7228.40.00, 7228.50.10 and 7228.50.50.

The specific tool steel is described as set forth above and more specifically in Exhibit 1.Annual consumption of such products in the U.S is 200.00 metric tons while U.S. production is only 117.00 metric tons. Attached as Exhibit 2 is a list of the producers of tool steel, including all producers, not only those who produce the described types. Aditionally, 60% of the U.S. market for Tool Steel is supplied as forged products. Only a single U.S. producer is focused on this market and its production (30.00 tons per year) is insufficient to meet demand. The historic and projected data is not available to Villares for the specified product. Villares is aware of no substitutes for this product.

B. Valve Steel Classified Under HTSUS items 7222.11.00, 7222.19.00, 7222.20.00, 7222.30.00 and 7228.50.00

The valve steel is as described as set forth above and more specifically in Exhibit 1. There is no U.S. source for this product, classified by 7228.50.00, which is sold to a single

customer. Attached as Exhibit 2 is a list of the producers of valve steel, including all producers, not only those who produce the described type. The historic and projected data is not available to Villares for the specified product. Attached as Exhibit 3 is a copy of the public prehearing brief filed with the International Trade Commission by Villares' U.S. customer, Eaton. This brief details the fact that the valve steel supplied by Villares is not available from any U.S. source. Villares is aware of no substitutes for this product.

# C. Stainless Steel Classified Under HTSUS items 7222.10.01 7222.10.99 7222.10.02 7222.10.99 7222.20.01 7222.20.02 7222.20.99

Stainless steel is as described above and as set forth more specifically in Exhibit 1. U.S. production of this product is insufficient to meet the requirements of the market. In the year 2000 U.S. consumption of this type of steel was 420,000 metric tons while U.S. production was 170,000 tons. Attached as Exhibit 2 is a list of the producers of the described stainless steel, including all producers, not only those who produce the described type. The historic and projected data is not available to Villares for the specified product. Villares is aware of no substitutes for this product.

# D. High Speed Steel (HSS) Classified Under HTSUS item 7228.10.00

High Speed Steel (HSS) as described above, and as set forth more specifically in Exhibit 1, is produced in the U.S. in

insufficient amounts to meet the requirements of the market. In the year 2000 U.S. consumption of this type of steel was 25,000 metric tons while U.S. production was only 13,000 tons. Attached as Exhibit 2 is a list of the producers of the described HSS, including all producers, not only those who produce the described type. Historic and projected data is not available to Villares for the specified product. Villares is aware of no substitutes for this product.

#### IV. CONCLUSION

For the reasons set forth we request that Tool Steel, Valve Steel, Stainless Steel and High Speed Steel (HSS), as more specifically described above, be excluded from any import relief pursuant to Section 203. The described products are either not produced in the U.S. or are produced in insufficient quantities so that any restrictions would cause a lack of supply of these types of steels causing harm to domestic companies and to the economy.

Respectfully submitted,

### RIGGLE AND CRAVEN

19 South LaSalle Street Suite 601 Chicago, IL 60603-1403 (312) 368-8787

By:

David A. Riggle

Attorneys for Aços Villares, S.A.

## Exhibit 1 (a)

## **High Speed Steel**

BRASIL	USA	LIGA	SIMILA	RES	C	Mn	Cr	Ni	Mo	W	V	<b>OUTROS</b>
			ABTN ASTM	DIN	%	%	%	%	%	%	%	%
			SAE AISI	WNr								
7228.10.10 7228.10.02 7228.10.03	7228.10.00	VWM2 V	M2	1.3343	0.90	0.30	4.25	-	5.00	6.20	1.90	-

## Exhibit 1 (b)

## **Tool Steel**

BRASIL	USA	LIGA	SIMIL	ARES	C	Mn	Cr	Ni	Mo	W	V	OUTROS
			ABTN AST M	DIN	%	%	0/0	%	%	%	%	%
			SAE AISI	WNr								
7228.30.00 7228.40.00 7228.50.00	7228.30.20 7228.30.40 7228.30.60 7228.30.80 7228.40.00 7228.50.10 7228.50.50	VH13IM (*)	H13 / A681	1.2344	0.40	0.35	5.00	-	1.50	-	0.90	Si=1,00
		VH13ISO	H13 / A681	1.2344	0.40	0.35	5.00		1.50	-	0.90	Si=1,00
		VH13SI	H13 / A681	1.2344	0.40	0.40	5.25	1	1.35	-	0.95	Si=1,03
		VMO	6F3	1.2714	0.57	0.70	1.10	1.65	0.50	-	-	-
		VMOS	6F3	1.2714	0.55	0.88	1.05	0.93	0.45	-	-	Si=0,25
		VP420IM	420	1.4028	0.40	-	13.50	-	-	-	0.25	Si=0,80
		VPCW	H12	1.2606	0.35	0.35	5.00	-	1.50	1.35	0.25	Si=1,00

## Exhibit 1 (c)

### **Stainless Steel**

BRASIL	USA	LIGA	SIMIL	ARES	С	Mn	Cr	Ni	Мо	W	V	OUTROS
			ABTN ASTM	DIN	%	%	%	%	%	%	%	%
			SAE AISI	WNr								
7222.10.01 7222.10.99 7222.10.02 7222.10.99 7222.20.01 7222.20.02 7222.20.99	7222.11.00 7222.19.00 7222.20.00 7222.30.00	V440CAMS	440									
		VC140SS	410	1.4006	0.10	mááx. 1,00	12.00	-	-	-	-	
		VC150SIVAR	420	1.4028 1.4034	0.35	mááx. 1,00	13.00	-	-	-	-	-
		VC150VAR	420	1.4028 1.4034	0.35	mááx. 1,00	13.00	-	-	-	-	-
7222.10.01 7222.10.99 7222.10.02 7222.10.99 7222.20.01 7222.20.02 7222.20.99	7222.11.00 7222.19.00 7222.20.00 7222.30.00	V304XLUF	304L	1.4306	mááx. 0,03	mááx. 2,00	19.00	10.00	-	ı	-	-
		V304XLUFQA	304L	1.4306	mááx. 0,03	mááx. 2,00	19.00	10.00	-	1	-	-
		V316XLUF	316L	1.4401	mááx. 0,03	mááx.2,00	17.00	12.00	2.20	-	-	-
			<b>A</b>			'						

## Exhibit 1 (d)

## Valve Steel

BRASIL	USA	LIGA	SIMILA	ARES	С	Mn	Cr	Ni	Мо	W	V	OUTROS
			ABTN ASTM	DIN	%	%	%	%	%	%	%	%
			SAE AISI	WNr								
7222.10.01 7222.10.99 7222.10.02 7222.10.99 7222.20.01 7222.20.02 7222.20.99	7222.11.00 7222.19.00 7222.20.00 7222.30.00	V630	630 (17-4 ph)	1.4542 1.4548	mááx. 0,07	mááx.1,00	16.00	4.00	-	-	-	Cu=3,40 Nb+Ta=0, 30
		V316XLUFQA	316L	1.4401	mááx. 0,03	mááx.2,00	17.00	12.00	2.20	-	-	-
7228.50.00	7228.50.00	VV45	HNV-3	1.4718	0.45	0.40	8.50	-	-	-	-	Si=3,30
		VV48	JIS G4311 -	SUH11M	0.51	0.40	8.50	mááx. 0,60		mááx .0,40	mááx.0 ,20	Si=1,50

### Exhibit 2

### **PRODUCERS**

<u>PRODUCT</u>	<u>USA</u>	<u>OTHERS</u>	
HSS	Latrobe Crucible	Erasteel Boehler Hitachi Villares	Europe Europe Asia South America
Tool Steel	Latrobe Crucible Carpenter Vasco A Finkl & Sons Co	Boehler Thyssen / EWK Buderos Daido Hitachi Gloria Dailam Villares	Europe Europe Asia Asia Asia Asia South America
Stainless Steel	Crucible Slater Carpenter Timken Vasco	Ugine Valbruna Sandvik/Fagersta Cogne Daido Posco/CSS NSC Villares	Europe Europe Europe Asia Asia Asia South America
Valve Steel	Crucible Carpenter Armco Slater	Cogne Valbruna BGH Daido Hitachi Villares	Europe Europe Europe Asia Asia South America

# HALE AND DORR LLP

Exhibit 3

#### www.haledorn.com

THE WILLARD OFFICE BUILDING 1455 PENNSYLVANIA AVENUE N.W • WASHINGTON, D.C. 20004-1008 202-942-8400 • FAX 202-942-8484

September 10, 2001

PUBLIC VERSION

Inv. No. TA-201-73 (Steel) Confidential business information deleted from brackets on pages 2-5 and Exhibit 1

### BY HAND DELIVERY

Public Inspection

The Honorable Donna R. Koehnke Secretary U.S. International Trade Commission 500 E Street, SW Washington, DC 20436

Re: Steel: Inv. No. TA-201-73: Comments of Eaton Corporation on Stainless Steel Bar and Tool Steel

Dear Secretary Koehnke:

This letter is being submitted on behalf of Eaton Corporation ("Eaton"), to accompany the affidavit submitted by Larry Iwan. Vice President, Engine Air Management Operations of Eaton.

Eaton is a United States-based global S8 billion diversified industrial manufacturer that is a leader in automotive parts, including automotive engine air management and fuel economy; intelligent truck systems for fuel economy and safety; fluid power systems; and electrical power quality, distribution and control. Eaton has 54,000 employees and sells products in more than 50 countries. Eaton's Engine Air Management Operations ("EAMO") has, on its own, over 3,000 employees in the United

BOSTON LONDON" MONICH\* NEW YORK OXPORD\* PRINCETON RESTON WASHING TO MAIN WASHING TO MINICIPLE OF MANUAL LANDS FOR FRANCE OF PRINCETON PROPERTY AND ASSESSMENT OF PRINCETON 1487 (6)

States, and sources the vast majority (approximately 91%) of its stainless and tool steel needs domestically. There is one type of stainless steel bar and one type of tool steel. however, that are not currently manufactured domestically, and which EAMO purchases from import sources. Eaton respectfully requests that these products be excluded from the scope of this investigation.

Furthermore, even if these particular types of steel remain within the scope of the investigation, it is clear that imports have not been a substantial cause of serious injury to either the U.S. stainless bar industry or the U.S. tool steel industry. In neither case has import volume or import market share increased significantly, and the overall decline in demand for stainless bar and tool steel is a far more important cause of any injury to the U.S. industry.

#### A. Stainless Steel Bar

The stainless bar in question is made pursuant to Eaton specification EMS 247. Eaton purchases approximately 400 metric tons, at a cost of [ ], of this product annually from the French producer Aubert & Duval, S.A. (imported under HTS 7222.20.0075). As explained in more detail in the affidavit of Larry Iwan, Vice President of Eaton's Engine Air Management Operations (attached as Exhibit 1), this product must comply with Eaton's specifications and rigorous qualification requirements because the steel is used to make engine exhaust valves.

This stainless bar product should be excluded from the scope of this investigation because, first, this product is not currently available from a domestic supplier and

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secondly, the volume imported is so small as to be insignificant. This product produced to specification EMS 247 represents only a tiny fraction of stainless bar domestic consumption: just 0.13 percent of consumption by weight and [ ] percent by value. In short, the product cannot possibly constitute a substantial cause of serious injury to the U.S. stainless bar industry.

With regard to the stainless bar industry, Table Stainless-C-4 of the Preheating Report shows that U.S. production of stainless bar remained relatively stable between 1996 and 2000, at between 163,000 and 141,000 tons, with the year 2000 being on the high side at 159,000 tons. Production declined precipitously in the first half of 2001, and capacity utilization declined to only 52 percent. The U.S. industry did not lose market share, however, as its share of the market *increased* from 49.9 percent in the first half of 2000 to 51.5 percent in the first half of 2001. Imports of stainless bar declined at a faster rate than U.S. consumption, and imports actually lost market share in the first half of 2001. There was only one spike year of imports, in 2000, and interim 2001 figures show that that year was an anomaly, not a trend.

Moreover, there was no price erosion due to imports. Table Staintess-C-4 shows that even as stainless bar imports increased their market share slightly between 1999 and 2000 (from 34.5 percent to 38.5 percent), U.S. unit prices also increased during that period, from \$3,229 per ton in 1999 to \$3,545 in 2000. Prices increased further in 2001 to \$3.652 per ton. Thus, the poorer operating results in the first half of 2001 were due

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The market share is calculated from the 2000 U.S. consumption figures contained in Table Stainless-C-4 of the Commission's Prehearing Staff Report.

solely to lower capacity utilization due to declining demand, rather than to increased imports or price competition from imports.

#### B. Tool Steel

With regard to the tool steel industry, Table Stainless-C-6 again shows that the domestic producers' average prices for domestic shipments increased steadily between 1999 and interim 2001, from \$4,093 per ton in 1999 to \$4,157 in 2000 and \$4,540 in interim 2001. Imports increased by only 2,000 tons from interim 2000 to interim 2001, from 41,000 to 43,000 tons. Of far greater consequence was the 6,000-ton decline in domestic consumption, from 71,000 tons in interim 2000 to 65,000 tons in interim 2001.

The market share is calculated from the 2000 U.S. consumption figures contained in Table Stainless-C-6 of the Commission's Prehearing Staff Report.

This decline in demand, causing a decline in capacity utilization, was a far more important cause than the imports of the poorer operating results in the first half of 2001.

Eaton has adopted the policy of sourcing globally from the most competitive single supplier. Economies of scale are proving that it is more economical to have a single supplier globally than multiple suppliers producing regionally. This strategy benefits both domestic producers, such as Carpenter Technology Corporation ("Carpenter"), and, occasionally, foreign producers such as Aubert & Duval, S.A. and Villares. For example, valve steel produced in the United States by Carpenter is supplied to Eaton's Europe Valve Operations. This consumption at Eaton's Europe Valve Operations represents approximately [ ] (430 mt) in exports from the United States. As such, our policy is not injuring, and certainly not causing serious injury, to the United States industry. In fact, the imposition of steel restraints will likely have a senously negative impact on the domestic steel industry, and the domestic jobs base in general, as we will be forced to move production away from our United States plants.

### C. Conclusion

In sum, for the reasons specified above, Eaton requests that the two special products that it purchases from import sources be excluded from the scope of the investigation. If they are not excluded, Eaton urges the Commission to find that neither imports of stainless bars nor imports of tool steel are a substantial cause of serious injury to the U.S. steel industry.

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#### Request for Confidential Treatment

In accordance with Section 201.6 of the Commission's rules, we respectfully request confidential treatment for the bracketed confidential business information ("CBI") on pages 2-5 and in Exhibit 1 to this submission.

The bracketed information consists of pricing data or information from which pricing data can be derived. All of the bracketed CBI is considered sensitive "confidential business information" as defined by the Commission at 19 C.F.R. §201.6(a), the disclosure of which would cause substantial harm to Eaton's competitive interests. In addition, the public release of any of the aforementioned information would impair the ability of the Commission to obtain the information necessary to perform its statutory functions. We agree to release of this information under administrative protective order ("APO"). In accordance with section 201.6(b) of the Commission's rules, the requisite certification that substantially identical information is not available to the public is set forth as an attachment to this letter.

In accordance with the Commission's rules, a copy of this submission is being served this day upon each party appearing on the APO service list for this investigation. In addition, a public version of this submission, with the confidential husiness information deleted, is being served on each party appearing on the public service list for this investigation.

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Please do not hesitate to contact me at (202) 942-8414 should you have any questions regarding this submission.

Respectfully submitted,

Gilbert B. Kaplan

Counsel to Eaton Corporation

WASHINGTON JABTUM

### PUBLIC VERSION

# BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Re: <u>Certain Steel Products; Inv. No. TA-201-73: Affidavit Regarding Stainless</u>
Steel Bar and Tool Steel Exclusion Requests; Eaton Corporation

Affidavit Submitted by Larry Iwan, Vice President-Engine Air Management Operations, Eston Corporation.

- (1) My name is Larry Iwan, and I am the Vice President, Engine Air Management Operations of Baton Corporation ("Eaton").
- Eaton is a United States-based global \$8 billion diversified industrial manufacturer that is a leader in automotive parts including automotive engine air management and fuel economy; intelligent truck systems for fuel economy and safety; fluid power systems; and electrical power quality, distribution and control. Eaton has 54,000 employees and sells products in more than 50 countries. The Engine Air Management Operations ("EAMO") of Eaton, on whose behalf this affidavit is submitted, has, on its own, over 3,000 employees in the United States. EAMO buys a variety of steel products for North American operations, primarily from domestic sources, and with the exception of certain stamless and tool steel, all of it is sourced domestically. With respect to stainless and tool steel, the focus of our comments here, approximately 91% of this product is sourced domestically.
- (3) Though the bulk of our steel inputs are sourced domestically, there are occasions when we buy steel from foreign suppliers. We are submitting this affidavit to support our request that the relatively small amount of imported steel that we use be excluded from the coverage of the Section 201 case. The products which we imported are not currently manufactured domestically, and the small volume of our imports cannot possibly be a cause of injury to the domestic industry.

#### Stainless Steel Bar From France

(4) We procure approximately [ ] (400 mt) of stainless steel bar each year in North America from Aubert & Duval, S.A. ("Aubert & Duval"), a French producer. This product is made pursuant to an Eaton specification, EMS 247, and is currently not produced in the domestic market. It is imported under HTS 7222.20.0075. The product specifications have certain significant characteristics, including improved wear resistance and fatigue strength, and hot-rolled ready for use surface conditions with minimal imperfections, because certain of our plants cannot utilize steel with a high degree of surface imperfections. The Aubert & Duval product does not have these surface imperfections.

### PUBLIC VERSION

- (5) This steel is used to make automotive engine exhaust valves, which require extremely high quality and durability in order to avoid failure under adverse conditions of heat, repetitive stress, proximity to corrosive chemicals, and motion and vibration effects. When we began using Aubert & Duval stainless bar, the qualification process for this product took three years before we were satisfied it would be able to meet the required criteria. The end-product valves are made in our plants in Kearney, Nebraska, and Belmond, lowa.
- (6) Many suppliers we have worked with, both domestically and foreign, have not passed our rigorous qualification process.
- (7) Given the difficulty of this qualification process, and the unusual specifications required for the steel, this product is not currently available from a domestic supplier. Moreover, we manufacture automotive valves in plants both inside and outside the United States. We seek to source material globally from the most competitive single supplier. Economies of scale prove that it is more economical to have a single supplier globally than multiple suppliers producing regionally.
- (9) If we are not able to obtain input product from acceptable suppliers for valve manufacturing as a result of steel import quotas in the United States, we may be forced to move more of our valve production to our foreign plants. Some of our major customers are already seeking foreign sources, or asking to procure from our foreign plants, because of price differentials which result from steel import trade limitations. This would impact production and employment in Kearney, Nebraska and Belmond, lowa.

### Tool Steel from Brazil

- (10) We also obtain a small amount of tool steel, under HTS number 7228.50.1060 from Villares Metals S.A. ("Villares") in Brazit. Our annual purchasers of this product are approximately [ ] per year (2250 mt). This steel is used to make engine intake valves at plants in Kearney, Nebraska; Belmond, Iowa; and Westminster, South Carolina.
- (11) This steel is not being manufactured domestically, and we have been informed by the one possible U.S. supplier that they did not object to the exclusion of this steel from the Section 201 coverage.
- (12) Moreover, domestic manufacturers moved out of this line because they had not put into place concast (continuous casting) operations and had significantly higher costs for this product because of that decision.

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### PUBLIC VERSION

(13) Consistent with the strategy described above, of sourcing material globally from the most competitive single supplier, we have elected to use Villares both in the United States and worldwide, and we have plants worldwide which manufacture the intake valves in question. If we cannot source this material for use in the United States, that will negatively impact production and employment at our domestic plants in Nebruska, Iowa, and South Carolina.

#### Conclusion

Under these circumstances, given the special specifications of the Eaton purchases of stainless steel bar and tool steel, the fact that these products are not currently made domestically, the fact that we purchase the great bulk of our steel domestically and the very small amount of imports, we respectfully request that the above-referenced stainless steel bar and tool steel be excluded from the coverage of the Section 201 case.

Affirmed and ascribed, on my best knowledge and belief, this 7th day of September, 2001.

Larry Iwan

Vice President Engine Air Management Operations,

Eaton Corporation